

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-07 CEA-01 PA-01 L-03 H-01 /109 W

-----081380 230511Z /20

R 222108Z MAY 78

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 6692

INFO ALL EC CAPITALS

USMISSION GENEVA

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USEEC

GENEVA ALSO FOR MTN

PARIS ALSO FOR OECD

E.O.11652:N/A

TAGS: EEC, ETRD, EIND, EGEN

SUBJECT: EC COMMISSIONER FOR COMPETITION REAFFIRMS ANTI-
PROTECTIONIST STANCE BUT SEEKS TO LEGITIMIZE
INDUSTRIAL POLICY EXCEPTIONS

1. AT A PRESS CONFERENCE MAY 18 RAYMOND VOUEL, EC
COMMISSIONER RESPONSIBLE FOR COMPETITION, SAID THAT A
STRONG COMPETITION POLICY WAS VITAL TO THE ECONOMIC
HEALTH OF THE EC AND SHOULD NOT BE SUBORDINATED TO ANY
OTHER (READ INDUSTRIAL) POLICY OF THE COMMISSION. VOUEL
ADMITTED THAT CYCLICAL AND STRUCTURAL DIFFICULTIES WERE
LEADING TO PROTECTIONIST PRESSURES BUT CLAIMED THAT IT
WAS AN ILLUSION TO THINK THAT A MORE DOCILE COMPETITION
POLICY WOULD SOMEHOW SAFEGUARD JOBS WITHOUT DESTROYING THE
COMMON MARKET.

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2. VOUEL MAINTAINED THAT SO-CALLED "CRISIS-CARTELS" HAVE
NO BASIS IN THE EEC TREATY AND SAID THAT THE COMMISSION
WOULD TRY TO LIMIT AND CONTROL EXCEPTIONS IN EC INDUSTRY
TO FREE COMPETITION THROUGH A FRAMEWORK DIRECTIVE. THIS
DIRECTIVE, WHICH VOUEL EXPECTS TO GO TO THE COUNCIL BEFORE
THE AUGUST BREAK, WOULD ALLOW CRISIS CARTELS ON CONDITION

THAT (1) THEY WERE TEMPORARY, (2) A VOLUNTARY PRODUCTION CUTBACK WOULD BE ACCOMPANIED BY A RESTRUCTURING PROGRAM, AND (3) THE AGREEMENT BETWEEN PRODUCERS WAS THE ONLY WAY TO ACHIEVE THE RESTRUCTURING GOALS.

3. COMMENT: VOUEL IS HAVING DIFFICULTIES WITH THE ACTIVIST POLICIES FOLLOWED BY COMMISSIONER DAVIGNON, PARTICULARLY WITH REGARD TO THE SYNTHETIC FIBERS CARTEL. NEVERTHELESS, HE REFUSES TO BE DRAWN INTO A CONFRONTATION WITH DAVIGNON WHICH HE COULD NOT WIN. HE IS IN THE UNCOMFORTABLE POSITION OF BEING CRITICIZED BOTH FOR DOING TOO LITTLE TO MAINTAIN FREE COMPETITION AND FOR DOING TOO MUCH TO MAINTAIN IT. HIS PLAN FOR NEW RULES ON CARTELS SUGGESTS A FUNDAMENTAL CHANGE IN COMPETITION POLICY TOWARDS CARTEL-LIKE ARRANGEMENTS, WHICH TACITLY ACCEPTS THE ARGUMENTS OF DAVIGNON, YET PRESERVES THE COMMON MARKET FROM THE MORE SERIOUS DAMAGE WHICH WOULD OCCUR IF MORE INDUSTRIES THOUGHT THE WAY WAS NOW OPEN TO UNLIMITED CARTELS. HINTON

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